



A STUDY ON FINANCIAL ANALYSIS OF ULTRATECH CEMENT LIMITED

Dr. Anitaba Sukhdevsinh Gohil

Assistant Professor, Department of Commerce & Management, Bhakta Kavi Narsinh Mehta University, Junagadh, Gujarat, India.

ABSTRACT

India is the second largest cement manufacturing country in the world after china. Cement is the key raw material for the construction business. Government of India also promote the industry by encouraging infrastructural development in the country. So, the present research paper aims to examine the financial performance of the Ultra Tech Cement limited by analyzing the key profitability ratios. The result concludes that there is a fluctuating and down trend seems during the sample period and hence, it is necessary to improve the profitability of the company and the management should try to reduce or control the cost.

KEY WORDS: Infrastructural development, financial performance, profitability ratios.

INTRODUCTION:

Financial Analysis is used to evaluate the financial performance of the concern. It is used to find out the solvency, liquidity and profitability of the business. It also shows that how effectively management invests the funds available to the business.

Cement is the key raw material for the construction business. India is the second largest cement manufacturing country in the world after China. Out of the total global installed capacity of the production of cement, India consists of the 7% capacity. During the FY 20 the total cement production reached at 329 MT while it is assumed to be reached at 381 MT in FY 22. The overall cement production of the country accounted for 262 MT in FY 21. There is a plenty of opportunities in India for the infrastructural and constructional development which benefited the cement industry. Besides all this, the Government of India also promotes the cement industry through various infrastructural projects.¹

The present study aims to examine the financial performance of the Ultra Tech Cement Limited as it is one of the leading cement manufacturing company with the installed capacity of 116.75 MTPA.²

REVIEW OF LITERATURE:

1. Amanj Mohamed Ahmed in his study on the impact of Financial Statement Analysis on The Profitability Assessment (Applied Study of Kirkuk Company for Producing Constructional Materials) revealed that there is an insignificant relationship between the profitability and the asset regulated and assets utilization while there seems a relationship between profitability and liquidity.³
2. Dr. Ashok Kumar Rath in his study on "A Study on Financial Statement Analysis of Tata Steel Odisha Project, Kalinga Nagar" tried to evaluate the financial strength and weaknesses of Tata Steel Orissa Project. The study is based on the secondary data for the sample period of five years. The study suggest that the company should minimize the lead time by establishing link among the agency. He also concludes that the company should wise-fully includes debt with the equity in order to eliminate the financial risk for the equity shareholders.⁴
3. B. Surekha & K. Rama Krishnaiha in their study on "A Study on Financial Analysis of Tata Motors", tried to know the financial position of the Tata Motors. The study is based on the secondary data and for the period of five years. The study concludes that the company is in progressive situation during the sample period while there is a gradual increase in the Net Sales and Net Profits of the company. The company should implement the adequate financial management. Company can increase the profitability by optimum capital gearing and through reduction in administration and financial expenses.⁵

OBJECTIVES OF THE STUDY:

1. The present study aims to examine the financial position of the Ultra Tech Cement Limited.
2. The evaluate the growth of the sample under the study.
3. The study aims to give suggestion for improving the overall financial position of the Ultra Tech Cement Limited.

RESEARCH METHODOLOGY:

Sampling Design:

- **Sources List:** The study is based on the secondary data and the data will be collected from the secondary sources. It included the financial statement of the selected companies, magazine and other journals, articles, books and the published and unpublished documents have been considering in the research.
- **Sample Period:** The research will be carried out for the period of five years that is from 2016-17 to 2019-20.
- **Tools for Analysis:** Both accounting and statistical tools were applied to study the data. Financial ratios such as PBDIT ratio, PBT Ratio, PAT Ratio, RONW Ratio were taken for the evaluation of the sample company Mean, Standard Deviation and Coefficient of Variation were used for the treatment of the data.
- **Sample Size & Profile:** The researcher selects the leading cement companies of India.⁶

No.	Name of the Company	Brief Profile
1	Ultra Tech Cement Ltd.	Ultra Tech cement is the leading cement manufacturing company in India with a market cap of Rs. 85363.84 crore. It is the Indian multinational conglomerate company. The company was incorporated by the Aditya Birla group in the year 1857. The company started its business in 1983 with the brand name 'Ultra Tech Cement'. The company is the largest cement exporter in India. Tag Line: The Engineer's Choice Head Quarter: Mumbai, Maharashtra.
2	Ambuja Cements Ltd.	Ambuja Cements Limited is known as Gujarat Ambuja Cement Limited formerly. The company was established in 1983. The Global cement conglomerate of Switzerland acquired the business of Ambuja cement in 2006. The market capitalization of the company is Rs. 37105.87. Tag Line: Giant compressive strength, Is Cement mein Jaanhai. Head Quarter: Mumbai, Maharashtra.
3	ACC Limited	Associate Cement Companies Limited is a group of companies like FW Dinshaw, Kellick Nixon, Khataus and Tata was founded in 1936. It is one of the leading cement manufacturing companies in India. The market capitalization of the company is Rs. 27639.93 crore. Tag Line: Build Beautiful, Cementing Relationship. Head quarter: Mumbai, Maharashtra.
4	Shree Cements Ltd.	Shree cement is one of the leading cement manufacturing companies in India. The company was established in the year 1979. The market capitalization of the company is Rs. 38460.30 crore. Tag Line: Sasta Nahin, Sabse Achcha Head quarter: Ajmer District, Rajasthan

5	Jaypee Group	Jaypee Group is one of the leading cement manufacturing companies in India. The company was established in the year 1979. The market capitalization of the company is Rs. 2644.81 crore. Tag Line: "Work for Safe, Healthy, Clean And Green Environment." Head quarter: Uttar Pradesh
---	--------------	---

DATA ANALYSIS & INTERPRETATION:

1. Profit Before Depreciation, Interest & Tax (PBDIT) Ratio: PBDIT Ratio is the one of the key financial indicators to measure the financial performance of the organization. The ratio will help the management to know about the cash profit during the year of a particular company. A high PBDIT ratio indicates that the professional buyers are interested in company. It is calculated as under:

$$\text{PBDIT} = \text{Net Sales} - \text{Expenses (Other than depreciation, interest \& Tax)}$$

2. Profit Before Tax (PBT) Ratio: PBT ratio is also known as Earnings Before Tax (EBT) or Pre- Tax Profit. It shows the profitability capacity of a company before deduction of a tax.

$$\text{Profit Before Tax} = \text{Net Sales} / \text{Revenue} - \text{Expenses (Excluding Tax provision)}$$

3. Profit After Tax (PAT) Ratio: PAT ratio is useful in controlling the cost of the business. It is also known as the Net Profit Margin.

$$\text{Profit After Tax Ratio} = \text{Net Revenue} / \text{Net Sales}$$

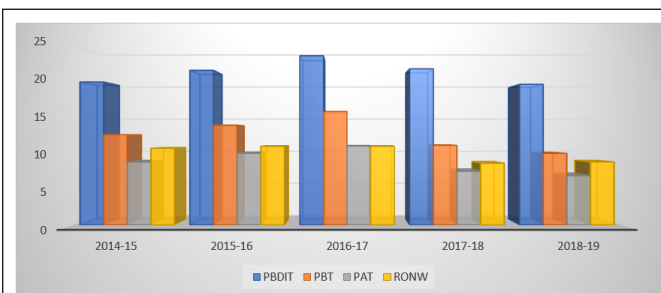
4. Return on Net Worth (RONW) Ratio: It indicates the income earned by the company on the funds of the shareholders. It shows that how effectively management invest and earns profit on the shareholder's funds. High margin indicates efficiency of the management.

$$\text{Return on Net Worth} = \text{Net Revenue} / \text{Shareholder's Equity}$$

Table 1: Financial Analysis of Ultra Tech Cement Limited

Year	Ultratech Cement	Shree Cement	JAYPEE Group	ACC Cement	Ambuja Cement
2016-17	0.22	0.17	1.38	0.01	0
2017-18	0.64	0.38	2.12	0.01	0
2018-19	0.7	0.29	5.64	0	0
2019-20	0.47	0.18	-6.41	0	0
2020-21	0.34	0.12	-1.75	0.01	0
Mean	0.47	0.23	0.20	0.01	0
SD	0.20	0.11	4.53	0.01	0
C.V.	42.34	46.15	2312.40	91.29	0

Source: Moneycontrol.com

**Chart 1: Financial Analysis of Ultra Tech Cement Limited****Interpretation:**

The above table and chart show the financial analysis of Ultra Tech Cement limited on the basis of the financial performance indicators of the past five years. The PBDIT ratio shows the fluctuating trend during the study period. During the year 2014-15 the PBDIT ratio is 19.91% while in 2016-17 it was 23.56% but after than it shows down trend and it was 19.58 during the FY 2018-19. PBT for the company shows increasing trends during the first three years of the sample period but after that it shows down trend. The PBT during the FY 2014-15 was 12.58% while it was highest in 2016-17 and it was 15.8% but after down trend it was 9.97% during the FY 2018-19. PAT and RONW also shows the down trend and. PAT were highest (10.99%) during the FY 2016-17 while RONW (10.97%) was highest during the FY 2016-17. PAT was lowest (6.87) during the FY 2018-19.

SIGNIFICANCE OF THE STUDY:

Through financial analysis of the company one can get idea about the liquidity, profitability and soundness of the firm. The present study will help the various stakeholders of the firm to know about the financial performance of the firm. The study will also help the management to get the idea about the financial performance of the company and it will give suggestions to improve the profitability of the business.

FUTURE SCOPE OF THE STUDY:

Financial statement analysis gives the wide analysis about the company. It gives analysis regarding the profitability, liquidity and soundness of the firm. The present study focused on the financial statement analysis based on the profitability ratio. So, there is still a scope of research to examine the liquidity and soundness of the company.

LIMITATIONS OF THE STUDY:

1. The present study is based on the secondary data and the secondary data is the limitation itself.
2. The study is based on the financial ratios which is based on the historical cost.
3. The period of the study is of five years which is limited to analyse the financial analysis aspect of any business concern.

CONCLUSION:

Profitability is the major indicator to measure the financial performance of any business organisation. Profitability is one of the core parts of the financial analysis. The present research study suggest that the firm should try to find out the reasons for down trend and try to control the cost by applying various cost-effective techniques.

REFERENCES:

- I. India Brand Equity Foundation (IBEF). Cement Industry. <https://www.ibef.org/industry/cement-india.aspx> retrieved on August 9, 2021.
- II. www.wikipedia.com
- III. Amanj Mohamed Ahmed. "The Impact of Financial Statement Analysis on the Profitability Assessment Applied Study of Kirkuk Company for Producing Constructional Materials". Retrieved from www.researchgate.net. <https://www.researchgate.net/publication/33247122019>
- IV. Dr. Ashok Kumar Rath (2016), "A Study on Financial Statement Analysis of Tata Steel Odisha Project, Kalinga Nagar", Quest Journals- Journal of Research in Business and Management. ISSN(Online): 2347-3002. Volume 4. Issue 10 (2016) pp: 49-60.
- V. B. Sulekha & K. Rama Krishnaiah (2015), "International Journal of Commerce, Business and Management. ISSN: 2319-2828. Vol. 4. No.4. August 2015.
- VI. Dr. K. S. Vatalia & Anitaba S. Gohil, "A Study on Capital Structure Decisions of Cement Companies in India", Ayudh International Peer- Reviewed Refereed Journal, ISSN: 2321-2160, Vol. 1, Issue: 65, October 2020, Pg No. 45.

WEBSITES:

- I. www.investopedia.com
- II. www.wikipedia.org
- III. www.corporatefinanceinstitute.com
- IV. www.stockmaniacs.com